The Growth and Outlook for U.S. Newspapers and Newsprint Consumption

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Executive Summary

U.S. newsprint consumption totalled 12.323 million metric tons in 1987, up 3.2 percent from that of the prior year. When adjusted to a 30-pound basis weight, consumption was almost 12.4 million tons. Increases of newspaper advertising and circulation contributed to the record high consumption.

Although U.S. newsprint consumption advanced during the first quarter of 1988, it declined slightly during the second and third quarters. The increase of consumption by daily newspapers has been modest because of decreased advertising linage in some newspapers and newsprint conservation practices stimulated by the rising cost of the product.

During the 1977-1987 period, total U.S. newsprint consumption, 30-pound basis weight, rose 33.6 percent. Consumption by U.S. daily newspapers grew 24.9 percent. However, if one were to include preprint tonnage, the newspaper growth rate would be considerably higher.

During the last ten years, southern newspapers expanded almost 37 percent. The newsprint usage by western U.S. newspapers grew 34 percent. Northeastern newspapers increased their consumption 27 percent; but in the North Central Region, newspaper's use of newsprint rose only 2 percent during the 1977-1987 period.

Newspapers in Alaska, Nevada, New Hampshire, Arizona, New Jersey, Arkansas and Georgia enjoyed the fastest growth during the ten years. Their increase of newsprint usage ranged from 118 percent in Alaska down to 65 percent in Georgia. In seven states, the newsprint consumption of daily newspapers declined during the ten years.

Newspapers in towns and cities of less than 100,000 population increased their newsprint consumption by 38 percent between 1977 and 1987. In large cities of over one million, the rise of consumption by daily newspapers was 9 percent.

The Sunday circulations of daily newspapers reporting to ANPA expanded 6.4 million during the 1977-1987 period. However, daily circulation grew only 0.4 million.

United States producers increased their supply of newsprint to daily newspapers by 28.3 percent during the last ten years. Tonnage originating in Canada increased 16.4 percent. As a result, the U.S. producers' share of the daily newspaper market rose from 40.9 percent in 1977 to 42.1 percent in 1987. Canada's share of the market declined from 59.1 percent to 55.1 percent. Offshore suppliers accounted for almost none of the U.S. newspaper market in 1977, but 2.9 percent in 1987.

The Real Gross National Product (Real GNP) of 1988 is likely to total approximately $4 trillion, up 3.8 percent from that of 1987. Real economic growth is forecast to slow to a more modest 2 percent rate during 1989.

With the declining international value of the dollar and the nation's heavy reliance on foreign credit and investment, there is upward pressure on U.S. interest rates. However, the 1989 Real GNP forecast of $4.08 trillion assumes that a substantial rise of interest rates will be avoided. The major alternative scenario is a vigorous rise of interest rates and a recession.

The U.S. newsprint consumption of 1988 is likely to be little changed from that of 1987—approximately 12.4 million metric tons, 30-pound basis weight.

Given current newsprint conservation measures and the predicted modest rate of economic expansion for 1989, no appreciable rise of U.S. newsprint consumption is likely during 1989.

An evaluation of ANPA's newsprint projection for 1995 confirms the projected trend of consumption—14.5 million tons (30-pound basis weight) as of 1995.

All Tonnage Figures in this Report are in Metric Tons

PART I

Recent Developments Among U.S. Newspapers and Newsprint Consumption

United States newsprint consumption, adjusted to a 30-pound basis weight, reached almost 12.4 million metric tons in 1987. The record high consumption was 3.2 percent greater than that of the prior year.

Actual or reported consumption in 1987 was 12.323 million tons, also up 3.2 percent from the prior year. Major factors contributing to the increase were the continued expansion of the U.S. economy, an increase of both daily and Sunday newspaper circulation, and an advance of newspaper advertising revenues. More specifically, during 1987 the nation's Real Gross National Product (Real GNP) rose 3.4 percent; daily circulation increased 0.5 percent; Sunday circulation advanced 6.6 percent;[1] and newspaper advertising revenues rose 9.0 percent.

Looking more closely at daily newspaper circulation, it rose from 62.5 million in 1986 to an estimated 62.8 million in 1987. Over 62 percent of all daily circulation is now accounted for by morning newspapers. Their circulation increased 1.7 million in 1987, whereas evening newspaper circulation declined 1.4 million. The Sunday circulation of U.S. newspapers advanced substantially, from 58.9 million in 1986 to 62.8 million in 1987.

Total U.S. newspaper advertising exceeded $29.4 billion in 1987,[2] up from slightly less than $27.0 billion in the prior year. Local advertising expenditures increased from $23.1 billion in 1986 to $25.9 billion in 1987--a rise of 9.8 percent. National newspaper expenditures rose 3.5 percent to about $3.5 billion. Newspapers' share of all advertising expenditures was 26.8 percent, up from 26.4 percent in the prior year.

Daily newspapers were the only major medium of communication to increase their share of advertising expenditures in 1987; the shares of television, radio, and magazines declined somewhat. However, expenditures for direct mail advertising advanced 11.5 percent, exceeding the 9.0 percent rise among daily newspapers.

Historically, U.S. newsprint consumption has advanced approximately 2 percent for every 3

[1]Circulation increases are based upon preliminary estimates of 1987 circulation.
[2]Preliminary estimates of advertising revenues for 1987.

percent growth of the Real GNP. However, between 1976 and 1986 U.S. newsprint consumption grew more rapidly than the economy. During 1987, the rise of consumption was slightly less than the 3.4 percent increase of the Real GNP. The tightening supply and rising cost of newsprint undoubtedly helped to slow the rise of newsprint usage.

The growth of U.S. newsprint consumption and the nation's economy from 1976 to 1987 are shown in Figure I. During these years, U.S. newsprint consumption, 30-pound basis weight, expanded 42.7 percent; whereas the nation's real economy grew 36.1 percent.

As noted in a previous study:[3]

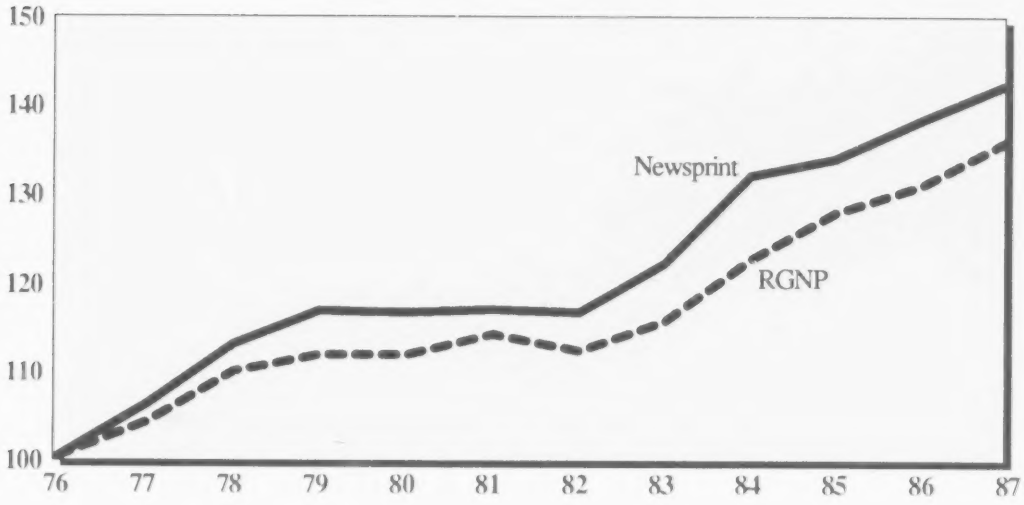
There is little reason to expect a major change in relative strength of U.S. newsprint consumption. The maturation of the post-World War II baby crop has yielded an unusually large segment of the U.S. population which is in the most productive and most consumptive stage of the human life cycle. This demographic development should contribute to both national economic expansion and newspaper growth. Television, the newspaper's major competitor for advertising, is now a relatively mature industry with a growth rate which is similar to that of newspapers. In other words, the growth of U.S. newspaper advertising revenues is no longer being diminished by a rapid expansion of television. In addition, newspaper management has used advancing technology to the advantage of newspapers, rather than allowing the advance of communications technology to greatly erode the newspaper's share of the market.

Although future U.S. newsprint consumption growth may not continue to exceed the growth rate of the U.S. economy, it is likely to closely parallel the Real GNP's growth rate. However, a shortage of newsprint, should one occur, would limit the growth of newspapers and newsprint consumption. In addition, a major increase in the cost of newsprint could prompt newspapers to eliminate marginal circulation and raise the cost of advertising linage, thus slowing the growth of newsprint consumption.

[3]Jon G. Udell, The Growth of Newspapers and the U.S. Economic and Newsprint Outlook for 1988, American Newspaper Publishers Association, Washington, D.C., December 1987, pp. 3-5.

Figure I

U.S. Newsprint Consumption and
Real Economic Growth, 1976-1987



Year	Newsprint Consumption[4]	Real GNP[5]	Newsprint Index	RGNP Index
1976	8,688	2826.7	100.0	100.0
1977	9,280	2958.6	106.8	104.7
1978	9,882	3115.2	113.7	110.2
1979	10,205	3192.4	117.5	112.9
1980	10,134	3187.1	116.6	112.7
1981	10,219	3248.8	117.6	114.9
1982	10,169	3166.0	117.0	112.0
1983	10,666	3279.1	122.8	116.0
1984	11,502	3501.4	132.4	123.9
1985	11,651	3618.7	134.1	128.0
1986	12,007	3721.7	138.2	131.7
1987	12,395	3847.0	142.7	136.1

[4]Thousands of metric tons, 30-pound basis weight. Source: American Newspaper Publishers Association.
[5]Billions of 1982 dollars. Source: Department of Commerce, Bureau of Economic Analysis.

The same study also predicted a slowing in the rise of both consumer expenditures and U.S. newsprint consumption during 1988. As a result, U.S. newsprint consumption was predicted to reach 12.5 million tons in 1988, up only modestly from the prior year. As of the end of October, U.S. newsprint consumption was up an estimated 0.6 percent from that of the prior year—slightly less than the predicted rate of increase for the year.

The growth of newsprint usage by daily newspapers slowed during the second and third quarters of 1988. At least two major factors were responsible—a slump in advertising linage among some newspapers and newsprint conservation efforts stimulated by the rising cost of newsprint.

As had been forecast,[6] the growth of consumer spending has been modest during 1988, inducing some retailers to reduce their advertising expenditures. Numerous financial institutions, still experiencing aftereffects of the October 19, 1987 fall of the stock market, have reduced their advertising linage. The merger of several large retailers has had a similar effect. In addition, some newspapers have responded to increased production costs by raising their advertising rates. As to be expected, such increases adversely affect advertising linage and create a greater stimulus to conserve newsprint.

The net effect of these developments is that U.S. newsprint consumption for all of 1988 is likely to be similar to that of 1987. This conclusion is more fully discussed in Part III of this report.

[6]Jon G. Udell, The Growth of Newspapers and the U.S. Economic and Newsprint Outlook for 1988, American Newspaper Publishers Association, Washington, D.C., December 1987, p. 20.

PART II

A Decade of Newspaper Growth

U.S. daily newspapers reporting to ANPA consumed 9,124,666 tons of newsprint during 1987—the fourth consecutive year of record use.

Table I presents 1987 and 1977 newsprint usage by daily newspapers in each state. The data are reported consumption and are not adjusted for losses due to strike activity or differences in basis weight.

Table I

State-by-State Newsprint Consumption by U.S. Daily Newspapers[7]

	1987	1977	10-Yr. % Change		1987	1977	10-Yr. % Change
Alabama	76,902	67,408	14.1	Montana	12,229	12,976	-5.2
Alaska	18,155	8,340	117.7	Nebraska	46,067	46,672	-1.3
Arizona	146,146	80,815	80.8	Nevada	44,799	23,381	91.6
Arkansas	59,697	34,843	71.3	New Hampshire	23,878	12,338	93.5
California	1,285,435	924,010	39.1	New Jersey	395,041	224,863	75.7
Colorado	188,544	122,852	53.5	New Mexico	28,986	21,101	37.4
Connecticut	120,126	102,443	17.3	New York	963,030	824,506	16.8
Delaware	18,722	14,439	29.7	North Carolina	170,114	110,674	53.7
District of Columbia	254,302	180,543	40.9	North Dakota	13,350	12,711	5.0
Florida	592,030	383,662	54.3	Ohio	345,066	372,305	-7.3
Georgia	208,614	126,757	64.6	Oklahoma	71,216	78,032	-8.7
Hawaii	30,956	28,470	8.7	Oregon	93,806	77,272	21.4
Idaho	15,521	14,649	6.0	Pennsylvania	429,585	403,461	6.5
Illinois	456,119	425,321	7.2	Rhode Island	43,541	30,501	42.8
Indiana	148,218	144,591	2.5	South Carolina	72,988	49,795	46.6
Iowa	74,023	69,631	6.3	South Dakota	10,895	10,076	8.1
Kansas	41,935	42,235	-0.7	Tennessee	120,417	109,432	10.0
Kentucky	71,442	79,114	-9.7	Texas	659,329	479,203	37.6
Louisiana	111,279	106,833	4.2	Utah	35,202	33,541	5.0
Maine	27,079	19,709	37.4	Vermont	8,523	6,721	26.8
Maryland	124,442	90,988	36.8	Virginia	144,773	101,438	42.7
Massachusetts	328,674	208,346	57.8	Washington	139,349	119,598	16.5
Michigan	333,828	307,792	8.5	West Virginia	32,284	30,645	5.3
Minnesota	135,663	114,346	18.6	Wisconsin	130,532	138,397	-5.7
Mississippi	35,417	28,169	25.7	Wyoming	6,119	4,862	25.9
Missouri	180,190	165,889	8.6	Total	9,124,666	7,226,696	26.3

[7]Source: Annual surveys by ANPA.

As of 1987, California dailies were the largest consumer of newsprint—almost 1.29 million metric tons. New York newspapers were second with a 963,000-ton consumption as of 1987.

The fastest growth of consumption (118 percent) during the ten years occurred in Alaska. Newspapers in both Nevada and New Hampshire increased their newsprint usage by over 90 percent during the 1977-1987 period. Other states with very rapid rates of newspaper growth were Arizona (81 percent), New Jersey (76 percent), Arkansas (71 percent), and Georgia (65 percent).

The average growth rate of all newspapers was 26.3 percent. In seven states, newsprint usage by daily newspapers declined during the ten-year period.

Real Newspaper Growth

Because strikes against newspapers temporarily affect their newsprint consumption, the data should be adjusted for the impact of strikes against newspapers. In 1977, this loss was 5,733 metric tons. In 1987 no tonnage was lost because of strike activity. During the past two decades, the basis weight of newsprint has changed. To provide an accurate picture of newspaper growth, it is necessary to adjust consumption data to a uniform basis weight, such as 30 pounds. As shown in Table II, newsprint consumption by daily newspapers, when adjusted for strikes and basis weight, rose 24.9 percent during the 1977-1987 decade.

A major portion of the difference between this growth rate and 33.6 percent rise of total U.S. newsprint consumption undoubtedly is due to the rapid growth of preprinted advertising inserts. Most of the preprint tonnage is not included in U.S. newspapers' consumption data, even though the inserts ultimately became a part of the daily newspaper. Even without this preprint insert tonnage, daily newspapers accounted for 72.4 percent of the nation's newsprint consumption during 1987.

The amount of preprint tonnage included in daily newspapers is not known, but it is substantial and has grown rapidly. As of 1987, insert tonnage on all grades of paper, excluding coupons and catalogs, totalled an estimated 2.147 million tons.[8] Of this amount, almost 800,000 tons of inserts were printed on newsprint. By 1992, newsprint usage by producers of printed inserts is forecast to rise to 905,000 tons with an average annual growth rate of 2.6 percent.[9] The tonnage of all inserts is predicted to grow at least 5 percent annually through 1992.

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[8]Walker Wiener Associates Inc. For a discussion, see PULP & PAPER WEEK, "Boom in free-standing inserts, flyers bodes well for printers, paper mills," August 22, 1988.

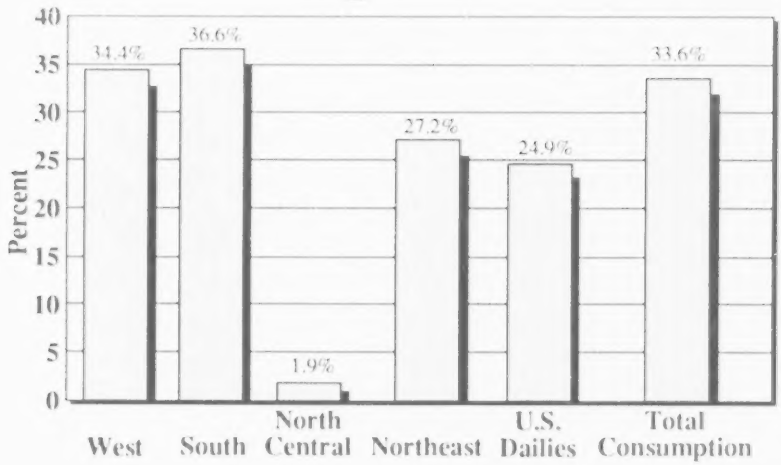
[9]Ibid.

Table II

Changes in Newsprint Consumption by U.S. Daily Newspapers in Various Geographic Regions

1977-1987[10]

Region	1977 Consumption	1987 Consumption	Tons Change	Percent Change
Northeast	1,803,490	2,294,331	490,841	27.2
North Central	1,848,027	1,882,790	34,763	1.9
South	2,042,994	2,790,454	747,460	36.6
West	1,495,161	2,009,023	513,862	34.4
Total Consumption by U.S. Dailies	7,189,672	8,976,598	1,786,926	24.9
Total U.S. Consumption by All Users	9,280,000	12,395,000	3,115,000	33.6



[10]Tonnage is on a 30-pound basis weight. The newspaper consumption data do not include foreign language newspapers, college newspapers, special service dailies, The Christian Science Monitor, The Wall Street Journal, The Journal of Commerce and The Daily Racing Form. Consumption data are adjusted for temporary losses due to major strikes against newspapers in 1977. No strike loss occured in 1987. Total consumption by U.S. dailies may not precisely equal regional or city-size data because of rounding. A listing of the regions is shown on page 25.

Source: Daily newspapers reporting to ANPA.

Regional Consumption Growth

Table II also presents newsprint consumption data for daily newspapers in the four major regions of the United States. During the 1977-1987 period, newspapers in the South enjoyed the fastest rate of growth. Their newsprint consumption expanded 747,000 tons, an increase of almost 37 percent.

Newspapers in the West expanded about as rapidly. Their newsprint usage increased 514,000 tons or 34 percent during the ten years.

Consumption by Northeastern newspapers grew 27 percent with a consumption increase of 491,000 tons. In the North Central Region, newspaper usage of newsprint increased only 35,000 tons or about 2 percent.

The differences in regional consumption growth is undoubtedly a function of the differing economic expansion of the four geographic areas and the corresponding migration of population. If the resurgence of U.S. manufacturing continues, North Central newspapers can be expected to expand more rapidly in the future than they did during the 1977-1987 decade.

Growth by Size of City

A ten-year analysis of newsprint consumption by newspapers in cities of various sizes is presented in Table III. Newspapers in each city-size classification expanded during the 1977-1987 period.

Daily newspapers in towns and cities of less than 100,000 people enjoyed the highest rate of growth—38 percent. Their ten-year consumption increase of 625,000 tons accounted for 35 percent of the total rise of newsprint consumption by all daily newspapers reporting to ANPA.

Newspapers located in cities of 100,000 to 250,000 people experienced a 21 percent growth of newsprint usage—250,000 tons more than in 1977.

In cities of one-quarter to one-half million population, consumption expanded 463,000 tons or 36 percent during the 1977-1987 period. Newspapers in cities of one-half to one million population increased their newsprint usage by 287,000 tons or almost 22 percent.

Newsprint consumption by newspapers in cities of over one million increased 162,000 tons for a gain of 9 percent during the 1977-1987 period.

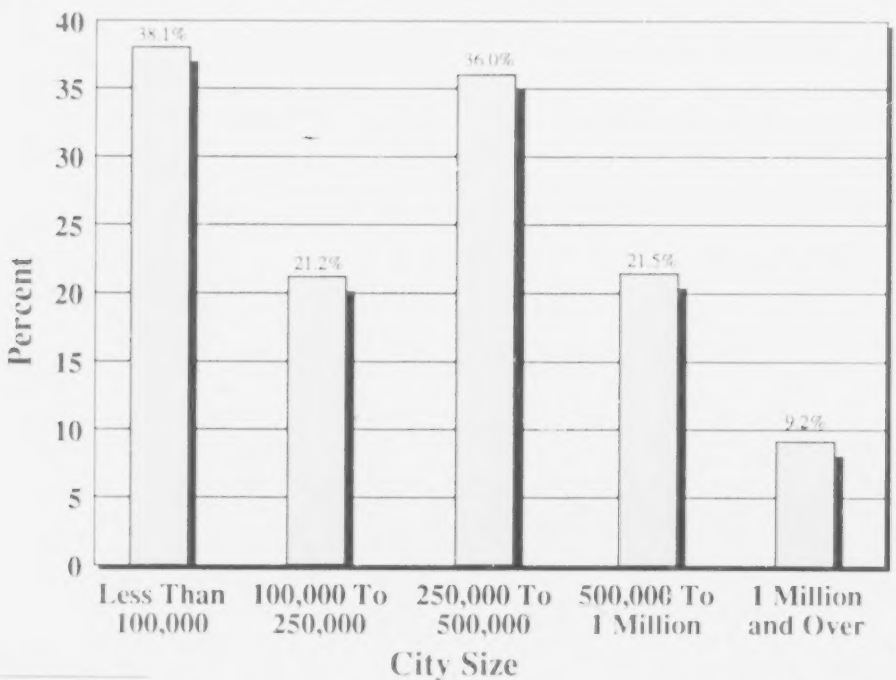
In 1977, newspapers in cities of over one million had the largest total consumption. As of 1987, newspapers in towns and cities of less than 100,000 were the largest users of newsprint. Their almost 2.3 million-ton consumption as of 1987 exceeded the newsprint usage of newspapers in each other city-size classification by a considerable margin.

Table III

Changes in Newsprint Consumption by U.S. Daily Newspapers in Cities of Various Sizes

1977-1987[11]

City Size	1977 Consumption	1987 Consumption	Tons Change	Percent Change
Less than 100,000	1,638,989	2,264,130	625,141	38.1
100,000 to 250,000	1,178,242	1,427,853	249,611	21.2
250,000 to 500,000	1,285,714	1,749,001	463,287	36.0
500,000 to 1 million	1,333,489	1,620,311	286,822	21.5
1 million and over	1,753,238	1,915,303	162,065	9.2
All Daily Newspapers	7,189,672	8,976,598	1,786,926	24.9



[11] See footnote 10, page 9.

Source: Daily newspapers reporting to ANPA.

Regional Circulation

Circulation is a factor in the rise or fall of newsprint consumption. The daily circulation of the U.S. newspapers included in this analysis was 60.39 million as of 1987—0.36 million more than ten years earlier, but down slightly from that of 1986.

Daily circulations in the four geographic regions of the United States are shown in Table IV. The highest rate of circulation growth occurred in the South, where daily circulation rose more than 1.4 million or 8.5 percent during the 1977-1987 period.

Daily circulation also expanded in the West. Here circulation expanded almost 0.9 million, a gain of 8 percent.

Daily circulation in the North Central Region fell 116,000 or 0.7 percent during the 1977-1987 decade. In the Northeast, circulation declined 830,000 or 5.4 percent during the ten years.

The Sunday circulation of U.S. newspapers increased in all regions. In the South, Sunday circulation expanded almost 20 percent to 19 million in 1987. Western newspapers enjoyed a 15.7 percent rise to 11.5 million circulation in 1987.

Sunday circulation as of 1987 totalled 14.8 million in the North Central Region and 13.8 million in the Northeast. Circulation in the North Central Region was up almost 8 percent from that of a decade earlier. Among newspapers in the Northeast, Sunday circulation rose 4.8 percent during the 1977-1987 period.

Table IV
Regional Changes in Circulation of U.S. Daily Newspapers 1977-1987[12]

Daily Circulation

Region	1977	1987	Change	Percent Change
Northeast	15,447,561	14,617,436	-830,125	-5.4
North Central	16,755,007	15,639,364	-115,643	-0.7
South	16,975,944	18,414,591	1,438,647	8.5
West	10,846,145	11,715,211	869,066	8.0
Total	60,024,657	60,386,602	361,945	0.6

Sunday Circulation

Region	1977	1987	Change	Percent Change
Northeast	13,138,306	13,767,542	629,236	4.8
North Central	13,722,756	14,804,031	1,081,275	7.9
South	15,912,704	19,027,856	3,115,152	19.6
West	9,969,491	11,531,868	1,562,377	15.7
Total	52,743,257	59,131,297	6,388,040	12.1

Circulation by City Size

As shown in Table V, the total daily circulation of newspapers in cities of less than 100,000 expanded 2.1 million or 9 percent during the ten years. Their 1987 circulation, totaling 25.7 million, was substantially larger than that of any other city-size classification.

The daily circulation of newspapers in cities of 100,000 to 250,000 population declined 706,000 or 6.9 percent. In cities of one-quarter to one-half million, daily circulation increased 205,000 or 2.3 percent.

[12]See footnote 10, page 9 for newspapers not included in the analysis.
Source: Standard Rate and Data Service, Inc.

Circulation losses were experienced in cities of more than one-half million population during the 1977-1987 period. Daily circulation declined 582,000 or 7.2 percent among cities of one-half to one million population. In urban centers of one million or more, the decline was 677,000 or 7.4 percent during the ten years.

Sunday circulation rose in all city-size classifications except those of over one million population. In towns and cities of less than 100,000, Sunday circulations grew 4.2 million or almost 30 percent. Sunday circulation expanded 1.0 million or almost 10 percent in cities of 100,000 to 250,000. In cities of one-quarter to one-half million population, the growth was 1.3 million or 13 percent. Total Sunday circulation increased 0.3 million or 3 percent in cities of one-half to one million population. The Sunday circulation of large metropolitan newspapers decreased more than 0.4 million or 4 percent between 1977 and 1987.

Table V

Changes in Circulation of Daily Newspapers in Cities of Various Sizes

1977-1987[13]

Daily Circulation

City Size	1977	1987	Change	Percent Change
Less than 100,000	23,600,944	25,733,107	2,122,163	9.0
100,000 to 250,000	10,250,915	9,545,275	-705,640	-6.9
250,000 to 500,000	8,984,600	9,189,470	204,870	2.3
500,000 to 1 million	8,065,741	7,483,378	-582,363	-7.2
1 million and over	9,122,457	8,445,372	-677,085	-7.4
All U.S. Dailies	60,024,657	60,386,602	361,945	0.6

Sunday Circulation

City Size	1977	1987	Change	Percent Change
Less than 100,000	14,204,026	18,441,795	4,237,769	29.8
100,000 to 250,000	9,868,821	10,849,627	980,806	9.9
250,000 to 500,000	10,002,898	11,337,108	1,334,210	13.3
500,000 to 1 million	8,547,318	8,816,880	269,562	3.2
1 million and over	10,120,194	9,685,887	-434,307	-4.3
All U.S. Dailies	52,743,257	59,131,297	6,388,040	12.1

[13]Ibid.

Source: Standard Rate and Data Service, Inc.

Many newspapers have added Sunday editions during the past decade. This has enhanced the total Sunday circulation of small city newspapers while adversely affecting some large city newspaper circulations. In addition, rising costs of production and delivery have increased circulation rates. This has adversely affected the out-of-town circulation of metropolitan newspapers.

Newsprint Supply, 1977-1987

Sources of newsprint supply for daily newspapers in each region of the United States are shown in Table VI. These data also are adjusted to a 30-pound basis weight.

While newsprint consumption by U.S. daily newspapers reporting to ANPA rose 24.9 percent during the ten years, United States mills increased their tonnage supplied to these newspapers by 28.3 percent. The tonnage originating in Canada increased 16.4 percent. As a result, the U.S. producers' share of the newspaper market rose from 40.9 percent in 1977 to 42.1 percent in 1987. Canada's share of the market declined from 59.1 percent to 55.1 percent during the ten years. Overseas suppliers accounted for almost none of the U.S. newspaper market in 1977 and 2.9 percent in 1987.

Despite the 1977-1987 decline in Canada's share of the market, mills in East Canada increased their shipments to U.S. newspapers by 624,000 tons or 17.5 percent, while mills in West Canada increased their tonnage 10.5 percent during the ten-year period.

Southern U.S. newsprint mills expanded their shipments to U.S. daily newspapers by 662,000 tons or 43.6 percent during the 1977-1987 period. Also enjoying a significant increase—246,000 tons or 28.3 percent—were mills located in the West Region of the United States. Mills in the Northeast and North Central Regions saw their shipments to newspapers decline during the 1977-1987 period.

As of 1987, the major sources of supply to U.S. daily newspapers were East Canada (4.2 million tons), the South U.S. (2.2 million tons), West U.S. (1.1 million tons) and West Canada (0.8 million tons). The tonnage supplied by Canadian producers during 1987 was up 211,000 tons from that of a year earlier. That supplied by U.S. mills was up less than 3,000 tons from the prior year.

Regional Sources of Supply

The sources of supply for daily newspapers in each region of the United States are shown in Table VII. During 1987, newspapers in the Northeast received more than 79 percent of their news-

Table VI
Source of Newsprint Supply for U.S. Daily Newspapers 1977-1987[14]

Location of Suppliers	Tons Supplied 1977	Tons Supplied 1987	Tons Change	Percent Change	Share of Supply 1977	Share of Supply 1987
United States	2,943,897	3,777,109	833,212	28.3	40.9	42.1
Northeast	466,470	396,208	-70,262	-15.1	6.5	4.4
North Central	89,717	85,065	-4,652	-5.2	1.2	1.0
South	1,518,958	2,181,322	662,364	43.6	21.1	24.3
West	868,752	1,114,514	245,762	28.3	12.1	12.4
Canada	4,245,756	4,942,294	696,538	16.4	59.1	55.1
East	3,560,713	4,185,037	624,324	17.5	49.5	46.6
West	685,043	757,257	72,214	10.5	9.6	8.4
Overseas	19	257,195	257,176	nil	nil	2.9
Total Supply to U.S.	7,189,672	8,976,598	1,786,926	24.9	100.0	100.0

print from East Canada, with most of the remaining supply (16 percent) coming from Northeast U.S. mills. Southern mills supplied about 3 percent of northeast newspapers' requirements.

North Central daily newspapers received about 86 percent of their newsprint from Canadian mills during 1987, with most of that supply coming from East Canada. Southern mills supplied 9.5 percent of North Central newspapers' requirements. Four percent of North Central newspapers' supply originated within their region.

Southern newspapers received two-thirds of their newsprint from southern mills in 1987. Canadian mills, primarily producers in East Canada, supplied over 26 percent of the southern newspapers' requirements.

As of 1987, West U.S. newspapers received more than 53 percent of their supply from West U.S. mills. One-third of their newsprint came from West Canadian mills. East Canadian mills supplied 4.6 percent of the West's requirements, while offshore producers supplied 5.1 percent and southern U.S. mills provided 3.7 percent.

[14]See footnote 10, page 9.
Source: Daily newspapers reporting to ANPA.

Table VII

Regional Sources of Newsprint for U.S. Daily Newspapers 1977-1987[15]

Location of Suppliers	Tons Supplied 1977	1987	Tons Change	Percent Change	Share of Supply 1977	1987
Northeastern Newspapers						
United States	429,328	430,083	755	0.2	23.8	18.7
Northeast	420,922	362,341	-58,581	-13.9	23.3	15.8
North Central	213	307	94	44.1	0.01	0.01
South	8,193	67,121	58,928	719.2	0.5	2.9
West		314	314	inf.	—	0.01
Canada	1,374,143	1,823,500	449,357	32.7	76.2	79.5
East	1,374,143	1,821,865	447,722	32.6	76.2	79.4
West		1,635	1,635	inf.	—	0.07
Overseas	19	40,747	40,728	214,357.9	nil	1.8
Total Supply to Northeast	1,803,490	2,294,330	490,840	27.2	100.0	100.0
North Central Newspapers						
United States	281,580	264,389	-17,191	-6.1	15.2	14.0
Northeast	3,267	2	-3,265	-99.9	0.2	nil
North Central	81,652	80,936	-716	-0.9	4.4	4.3
South	196,661	178,983	-17,678	-9.0	10.6	9.5
West		4,468	4,468	inf.	—	0.2
Canada	1,566,447	1,618,086	51,639	3.3	84.8	85.8
East	1,501,559	1,541,817	40,258	2.7	81.3	81.9
West	64,888	76,269	11,381	17.5	3.5	3.9
Overseas		315	315	inf.	—	0.2
Total Supply to North Central	1,848,027	1,882,790	34,763	1.9	100.0	100.0
Southern Newspapers						
United States	1,362,637	1,938,015	575,378	42.2	66.7	69.4
Northeast	39,784	33,800	-5,984	-15.0	2.0	1.2
North Central	7,852	3,786	-4,066	-51.8	0.4	0.1
South	1,312,444	1,862,482	550,038	41.9	64.2	66.7
West	2,557	37,947	35,390	1,384.0	0.1	1.4
Canada	680,357	739,004	58,647	8.6	33.3	26.5
East	676,579	728,853	52,574	7.7	33.1	26.1
West	3,778	10,151	6,373	168.7	0.2	0.4
Overseas		113,436	113,436	inf.	nil	4.1
Total Supply to South	2,042,994	2,790,455	747,461	36.6	100.0	100.0
Western Newspapers						
United States	870,352	1,144,622	274,270	31.5	58.2	57.0
Northeast	2,497	64	-2,433	-97.4	0.2	nil
North Central		35	35	inf.	nil	nil
South	1,660	72,736	71,076	4,281.7	0.1	3.7
West	866,195	1,071,785	205,590	23.7	57.9	53.3
Canada	624,809	761,704	136,895	21.9	41.8	37.9
East	8,433	92,501	84,068	996.9	0.6	4.6
West	616,376	669,202	52,826	8.6	41.2	33.3
Overseas		102,698	102,698	inf.	nil	5.1
Total Supply to West	1,495,161	2,009,024	513,863	34.4	100.0	100.0

[15]Ibid.

Source: Daily newspapers reporting to ANPA.

PART III

Forecasts for 1989

U.S. newsprint consumption during 1989 will be heavily influenced by the movement of the economy. As of November 1988, the current economic expansion was six years old—the longest peacetime expansion of the U.S. economy in history. However, the longevity of the expansion is not likely to determine economic events during the year ahead. Instead, a host of economic, social, psychological, and political forces will shape the economic future.

The Positive Forces

Among the positive forces which will influence the economy are the improving competitive stature of U.S. industry, the demographic configuration of the nation's population, and the need for new business investment.

The decreased value of the dollar has substantially improved the competitive position of U.S. industry, especially manufacturers. The result is increased exports and an improved, although still negative, balance of trade. In addition, many U.S. manufacturers have been improving their efficiency and the quality of their products. As a result, their sales, market share, and employment have risen. This is highly significant in that manufacturers generally pay higher wages and salaries than the wholesale, retail and service industries. Both expanded employment and higher incomes add to the purchasing power of consumers—a major force in the movement of the economy.

The demographic configuration of the United States is unusually positive, with an unprecedented number and proportion of adults who are in the most productive and consumptive stage of the human life cycle. Most of the huge post-World War II baby crop have completed their formal education and obtained several years of work experience, enhancing their productivity. With aspirations for home ownership and a high standard of living, as well as growing families, their needs and desires for goods and services are extensive, creating huge markets.

There is a negative in the demographic configuration—fewer new entrants to the labor force and labor shortages in some industries, such as fast foods. This, however, should have little impact on the economy in 1989.

Many U.S. industries need expanded capacity to serve both their expanding foreign and domestic markets. In addition, new investment is required to further increase U.S. productivity and product quality. Therefore, the 1989 outlook for business spending is favorable if the nation's economy continues its unprecedented expansion. On the other hand, the commencement of a recession would reduce business investment.

Adverse Forces

The U.S. economy is not without problems. The most threatening is the nation's over-reliance on debt financing. The United States has become the largest debtor nation of the world. All major sectors of the U.S. economy are responsible for this situation. Federal government deficit spending receives the most attention, as it should. However, a significant portion of U.S. industry also is heavily in debt—often as a result of management buyouts and other corporate acquisitions. In addition, consumer debt, according to most measures, is at or near an all-time high. At the very time that the nation's total financial requirements are great, net domestic saving is low. The result is a huge and unprecedented reliance on foreign credit and investment. In addition, this reliance produces a precarious interest rate environment.

Still another problem is the adverse condition of many U.S. financial institutions. Although most commercial banks, savings and loan associations, and other U.S. financial institutions are profitable and healthy, a significant proportion are not. They constitute a weak link in the economic integrity of the nation. Progress is being made in repairing this weak link, but the problem is far from being completely resolved.

Uncertainties

Still other forces which will determine the economy of 1989 are interest rates and both business and consumer psychology. A significant rise of interest rates would increase the federal government's cost of debt, prompting either a tax increase or larger deficit, or both. In addition, higher rates would curtail both business and consumer spending, and precipitate major problems for many U.S. businesses, families, and financial institutions. Foreign creditors increasingly are demanding that the United States reduce its government spending and foreign trade deficits. If those creditors were to diminish their extension of credit, interest rates would rise appreciably, precipitating a recession.

Going beyond interest rates, confidence in the new President and the economy will play a significant role in 1989. During 1988 real consumer spending has risen slowly—primarily because of the extensive debt of so many U.S. consumers, rather than a lack of consumer confidence. However, with consumer debt at such a high level, any erosion of confidence in the economy is likely to prompt consumer expenditures to fall. The impact on the total economy would be significant because consumer expenditures constitute over 60 percent of the Gross National Product.

Still another uncertainty is U.S. foreign exports. The current rise of exports is likely to continue so long as the world economy remains healthy and the international value of the dollar remains

depressed. However, the extent of future export gains is uncertain. Without continued and considerable improvement in the nation's net foreign trade balance, the U.S. economy would slow.

With consumer spending advancing at a hesitant pace, the rise of U.S. foreign exports and increased business investment have been major stimulants of economic growth during 1988. They will continue to be significant determinants of economic growth in the year ahead; however, it is doubtful that the degree of the improvement experienced in 1988 will be repeated in 1989.

Predictions for 1989

All factors considered, the U.S. economy is likely to slow during the year ahead. In fact, it is already slowing. During the first quarter of 1988, the Real GNP rose at a robust 3.4 percent annualized rate. During the second quarter, a respectable 3.0 percent pace was realized. In the third quarter, the growth rate fell to 2.6 percent, according to the second estimate by the U.S. Department of Commerce.

Slow expansion during the year ahead would be desirable. The economy, after six consecutive years of expansion, is operating at a high level of capacity and inflationary pressures are beginning to build. If rapid inflation were to reassert itself, the long-run implications would be highly adverse, including reduced purchasing power and reduced employment, as well as higher interest rates and expanded federal deficit spending.

On a year-to-year basis, the Real GNP of 1988 is likely to approach $4 trillion dollars, up 3.8 percent from that of 1987. In 1989, the nation's economic growth rate is likely to slow to 2 percent. With 2 percent real economic growth, the Real Gross National Product of the United States would total approximately $4.08 trillion in 1989, up $233 billion from that of 1987 but only around $80 billion from that of 1988.

Unfortunately, the beginning of a recession in the months ahead is a definite possibility, especially if interest rates were to rise appreciably. As already noted, substantially higher rates would curtail business and consumer spending and *create severe economic stress in a nation which is overly in debt*. Therefore, *the movement of interest rates should be monitored closely*. Similarly, the international value of the dollar should be watched. A rapid fall of its value would bring forth higher interest rates in order to hold and attract foreign credit.

Although an increase of interest rates is likely during the months ahead, slow economic growth should limit the rise and help to keep inflation in the 4 to 5 percent range. If realized, these events should enable the U.S. economy to achieve a seventh consecutive year of economic expansion.

Newsprint in 1989

As of the end of October 1988, U.S. newsprint consumption was up 0.6 percent from that of a year earlier. However, consumption during the April-September period was less than that of 1987. With the economy appearing to weaken, a slowing of national and retail newspaper advertising in some areas, and cost pressures on newspapers, newsprint consumption in the closing months of 1988 is likely to be no greater than that of 1987, despite the positive effect of election coverage. As a result, total U.S. newsprint consumption for the year is likely to be little changed from that of 1987. Adjusted to a 30-pound basis weight, 1988 consumption should be slightly higher than that of a year earlier—between 12.4 and 12.5 million tons as opposed to 12.395 million tons in 1987.

Given the modest economic outlook for 1989, no appreciable expansion of U.S. newsprint consumption is likely. Even if no recession occurs, reported tonnage is likely to be up only slightly. With a recession, consumption probably would fall to less than that of 1987 (12.323 million tons) and 1988.

Using an assumption of modest economic growth during 1989, a U.S. newsprint consumption forecast of 12.3 to 12.4 million metric tons of reported consumption is reasonable. On a 30-pound basis weight, this forecast rises approximately 100,000 tons.

PART IV

Evaluation of the1995 Trend Projection

The vigor and duration of the expansion of the U.S. economy stimulated newsprint consumption to rise well above its projected demand trend for 1987. By definition, the demand trend is the expected long-term progression of consumption over an extended period of time. Actual consumption in any given year may be above or below the demand trend, depending upon where the economy is in the business cycle and irregular demand factors, such as major strikes against newspapers or a newsprint shortage.

The slowing of usage during recent months has brought consumption for 1988 close to the projected demand trend for the year. The predicted U.S. newsprint consumption for 1989 is below the projected trend.

ANPA's trend projection of U.S. newsprint consumption in 1995 is 14.5 million metric tons, 30-pound basis weight.[16] The projection assumes a period of severe economic stress in the years ahead, but at least 2.5 percent average annual growth of the U.S. economy.

In recent years as well as recent decades, the United States has averaged over 3 percent real economic growth. Should this achievement be realized in the remaining years to 1995, our projections suggest a U.S. newsprint consumption of over 15 million metric tons in 1995.[17] Although this higher rate of economic growth and consumption may well be realized because of the increased competitive position of many U.S. industries, the U.S. economy, as noted in Part III, has several problems. In light of both the strengths and weaknesses of the U.S. economy, it does not appear prudent to revise the 2.5 percent average economic growth assumption used in the projection of U.S. newsprint consumption for 1995.

Even without a change in the economic assumption, it is appropriate to reconsider the 1995 newsprint trend projection. The primary question to be addressed is whether or not the projected relationship between newsprint consumption and national economic growth is actually being realized. If the projected relationship is prevailing, it constitutes evidence that the projected newsprint consumption is likely to be realized (assuming that the economic assumption is correct).

Figure II shows the relationship between U.S. newsprint consumption[18] and Real Gross National

[16]Jon G. Udell, U.S. Newspaper Growth and Newsprint Consumption, American Newspaper Publishers Association, Washington, D.C., December 1986, p. 28.

[17]Ibid.

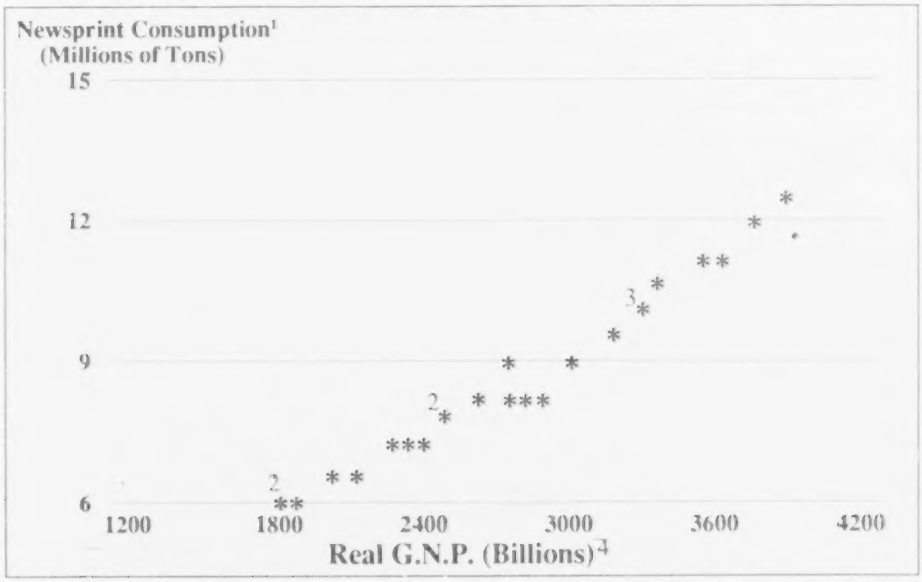
[18]Thirty-pound basis weight with adjustment, in certain years, for the effect of major strikes in the newspaper and newsprint industries.

Product during the period of 1960-1987. The regression formula for this relationship is N = 370.98 + 3.09(R), with N being newsprint consumption in thousands of metric tons and R being Real Gross National Product in billions of dollars. This equation explains 98.9 percent of all annual variations in U.S. newsprint consumption since 1960. Statistically, it is a powerful equation.[19] The relationship which it expresses has been stable and the equation yields a remarkably accurate estimate of U.S. newsprint for each year during the 1960-1987 period.

If one assumed a 2.5 percent growth rate between 1987 and 1995, application of the equation yields a trend projection which is approximately 100,000 tons higher than the author's original projection for 1995. As a percent of total consumption, the difference is small. It is not sufficiently large to justify a change of the projected trend of U.S. newsprint consumption.

Figure II

U.S. Newsprint Consumption and the Real Gross National Product 1960-1987



[1]U.S. newsprint consumption, millions of metric tons, adjusted to a 30 pound basis weight and for conservation practices occurring in the mid-nineteen seventies.
[2]Two observations near the same point on the graph.
[3]Three observations near the same point on the graph.
[4]Billions of 1982 dollars.

[19]For example, the standard coefficient of tolerance for the regression coefficient has a T value of 48.677.

In addition, the dynamics of the newspaper and newsprint industries may reduce the future rise of U.S. newsprint consumption. For example, the newsprint conservation practices initiated during 1988, if sustained, could more than offset the 100,000-ton difference.

The cost of newsprint as well as other newspaper operating costs will play a significant role in the future rise of newsprint consumption. When major cost increases occur, advertising and circulation rates are raised. Those rates are price elastic; therefore, advertising linage and circulation are adversely affected.

Many forces, internal and external to the newspaper and newsprint industries, will determine the future course of newsprint demand. However, at this point in time, ANPA's original trend projection of 14.5 million tons of U.S. newsprint consumption in 1995 appears realistic and potentially accurate.

The second major dimension of ANPA's projection for 1995 also is confirmed. If there is no major period of economic stress and the United States achieves a 3 percent or more average annual rate of economic growth during the 1985-1995 period, U.S. newsprint consumption is likely to exceed 15 million tons by 1995.

###

United States by Regions

Northeast

Connecticut
Maine
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Rhode Island
Vermont

North Central

Illinois
Indiana
Iowa
Kansas
Michigan
Minnesota
Missouri
Nebraska
North Dakota
Ohio
South Dakota
Wisconsin

South

Alabama
Arkansas
Delaware
District of Columbia
Florida
Georgia
Kentucky
Louisiana
Maryland
Mississippi
North Carolina
Oklahoma
South Carolina
Tennessee
Texas
Virginia
West Virginia

West

Alaska
Arizona
California
Colorado
Hawaii
Idaho
Montana
Nevada
New Mexico
Oregon
Utah
Washington
Wyoming

Canadian Provinces

East Canada

New Brunswick
Newfoundland
Nova Scotia
Ontario
Prince Edward Island
Quebec

West Canada

Alberta
British Columbia
Manitoba
Saskatchewan

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